IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1942.

No. ~~873-974~~.

THE MERCOID CORPORATION, *Petitioner*,

v.

MID-CONTINENT INVESTMENT COMPANY and MINNEAPOLIS-HONEYWELL REGULATOR COMPANY, *Respondents*.

BRIEF OF MID-CONTINENT INVESTMENT COMPANY IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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To the Honorable, the Chief Justice and Associated Justices of the Supreme Court of the United States:

The proper and expeditious disposal of this petition depends principally upon a first-hand acquaintance with the facts of the case. Rule 38.2 of this Court provides for this acquaintanceship, but the Petitioner has failed to take advantage of the Rule unless the "statement" given on pages 2 and 3 of the petition is so intended. A reading of these pages indicates the way in which the case comes up before this Court, but makes no real mention of the facts involved. Rules 38.3 and 27.4 permit the Respondent to supply any such omission, and hence the opportunity is taken herewith of presenting a

CONCISE STATEMENT OF THE CASE.

On May 13, 1930, the single patent involved in this suit was granted, on an application filed November 11, 1926, the claims of which cover a thermostatically controlled domestic heating system.* The original owner of the patent was the Cross Coal-O-Matic Company (named for the inventor Cross) and this Company first went into the field and sold and installed in private homes the heating system covered by the patent (R. 67). In 1931, the year after the patent issued, the Coal-O-Matic Company sold its physical assets to Butler Manufacturing Company, and while retaining ownership of the patent, granted an exclusive license to Butler. Later in the same year, Coal-O-Matic and Butler joined in granting an exclusive license to the Respondent Minneapolis, and in June of the following year the patent was assigned by Coal-O-Matic to the Respondent Mid-Continent.*

In the license agreement which Coal-O-Matic and Butler Manufacturing Company granted to the Respondent Minneapolis the latter received the "sole and exclusive right and license to make, use, and sell and to sublicense others to make, use, and sell, the inventions disclosed in said patents as applied to coal stokers". Subsequently, on the 31st day of December, 1938, a second license agreement was entered into between Respondent Mid-Continent and the Re-

*There are two Respondents. The first is the Mid-Continent Investment Company, the voluntary plaintiff that commenced this suit. The second is the Minneapolis-Honeywell Regulator Company, an involuntary plaintiff, the licensee of Mid-Continent brought into the suit upon motion of the Defendant-Petitioner (R. 44). The two Respondents will be referred to in this brief as "the Respondent Mid-Continent" and "the Respondent Minneapolis", and the ends of clarity and understanding will be better served if they are considered thus separately because first, they are separate entities; second, their only connection is that of licensor and licensee; third, the conduct of one as a non-manufacturing licensor was and is necessarily different from the conduct of the other as a manufacturing licensee, and lastly, because the Petitioner prefers to bracket them together or to refer to them indiscriminately at times, which is altogether confusing.

spondent Minneapolis, according to which the latter received the "exclusive right and license to make, use, and sell, and to sublicense others to make, use, and sell, the inventions disclosed in said patents as applied to coal stokers".

In 1935 Respondent Mid-Continent brought suit for infringement against E. O. Smith, an individual who was using the patented combination in his home. The holdfire control (one of the elements of the patented combination) in that installation was manufactured by the Petitioner Mercoid and the latter openly controlled the defense of that suit. In 1937 the District Court for the Western District of Missouri, Southwestern Division, held the patent valid and infringed. This decree was affirmed by the Circuit Court of Appeals for the Eighth Circuit in *Smith v. Mid-Continent*, 106 F(2d) 662.

QUESTIONS PRESENTED.

The Petitioner, on page 4 of its brief, has stated four questions which it submits have been presented by the decision in the Circuit Court of Appeals for the Seventh Circuit. Respondent Mid-Continent believes that said decision presents no questions for decision by this Court.

The answer to the first question presented by Petitioner has been answered by this Court in numerous decisions, viz, a defendant is a contributory infringer of a patent, when it supplies an unpatented part used in practicing the patented invention, whether that part is specifically so designed or is a mere article of commerce.

The second, third, and fourth questions presented by Petitioner do not even arise in the present situation. For instance, with particular respect to question 2, the patentee here has never granted any licenses which were conditioned upon the licensee purchasing from it an unpatented part for use in practicing the patented invention.

With respect to question 3, the patentee here has never required as a condition to the use of the patented invention

that an unpatented part thereof be purchased either from the patentee or its licensee.

Finally, with respect to the fourth question, it is submitted that Petitioner Mercoid is not only estopped to deny the validity of the patent by reason of res judicata, but *it has actually conceded the validity of the patent.* The question of the validity therefore should not even arise.

REASONS FOR DENYING THE WRIT.

The Petitioner has set forth four alleged reasons why, in its belief, this Court should grant a writ of certiorari. Respondent submits that there have been, however, no sound reasons presented.

(1) The first reason presented by Petitioner is that the decision of the Circuit Court of Appeals for the Seventh Circuit is in conflict with decisions of other Circuit Courts of Appeal. Contrary to this, Respondent submits that the decision complained of is not only *not in conflict with any other decisions, but is entirely consistent therewith.*

(2) Contrary to the statement made by Petitioner as a second reason for granting the writ, there is nothing in the Circuit Court's decision to indicate that any Federal question decided by it is in actual or even probable conflict with applicable decisions of this Court.

(3) The third reason which Petitioner has set forth for granting the writ, states that the Circuit Court, in the instant case, has decided an important question of Federal law which has not been, but should be, settled by this Court. There is nothing whatsoever in the decision to support this contention. Every question of law decided by the Circuit Court in this case has already been decided or approved by this Court in other cases.

(4) The fourth reason which Petitioner has presented for granting the writ relates to the question of the importance to the public in having the patent declared in-

valid. Naturally, the Petitioner would feel this way, but there is nothing in the case that justifies the argument. The patent was held valid by the Eighth Circuit Court of Appeals in a case which the Petitioner openly defended; the Petitioner is estopped from denying validity, and lastly, the Circuit Court of Appeals below expressly stated that the question of validity is of no real public importance.

It is therefore respectfully submitted that since no questions have been presented as a result of the decision of the Circuit Court in this case, which should be considered by the Supreme Court, the petition should be denied.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

SPECIFICATION OF ERRORS.

Under this heading, on pages 7 and 8 of Petitioner's brief, there are set forth four errors which it is alleged that the Circuit Court of Appeals committed and on which Petitioner will rely before this Court if the petition is granted.

(1) For Respondent Mid-Continent it is accordingly urged that the Circuit Court was *not* in error in holding that the sale of an appliance for use in a patented combination contributes to the infringement of a patent which covers the combination.

(2) With respect to this second point of error urged by the Petitioner, it is submitted that the decision of the Circuit Court is most clear and speaks for itself. Obviously, the opinion does not, despite Petitioner's urging to the contrary, construe the decisions of this Court in the Carbice and Leitch cases differently from the construction which has been placed upon these decisions by the First, Second, and Third Circuit Courts of Appeal.

(3) It is believed clear from the Circuit Court's decision that the holding therein was not, as Petitioner states in its third point of error, either to the effect that the patentee here and its licensee obtain their entire revenue under the patent from the sale of an unpatented appliance, or that the licensee requires the purchase of such unpatented appliances from it as a condition to obtaining a license to use the patent.

(4) It is also submitted that the Circuit Court was not in error in holding that the protection of the public interest did not warrant any decision as to the validity of the patent.

ARGUMENT.

The Cross patent involved in this suit is a combination patent involving the use of a warm-air furnace, a motor-operated coal stoker, a room thermostat, and a holdfire control. The unitary result obtained by the cooperation of these elements is the maintenance at all times of a fire in the furnace thereby avoiding inadvertent extinguishment of the fire with consequent loss and damage. The holdfire control is a thermostatically operated control which is so connected with the other elements of the combination and co-acts therewith as to cause fuel to be fed to the combustion pot of the furnace only at those times when the fire is about to go out and the room thermostat does not call for heat. This situation occurs for the most part during the warm or mild days of the spring and fall seasons. On cold days the room thermostat is sufficiently active to maintain the fire at all times, but on warm days the room thermostat might not call for heat and without the holdfire control the fire might go out. The patented system or combination of elements as a whole, therefore, prevents extinguishment of the fire in a coal-fed furnace.

The law with respect to infringement is so well settled that it is not believed necessary to cite authorities. When an unlicensed party utilizes a patented combination it

thereby becomes a *direct* infringer, and one who, without license, supplies an element of that combination, thereby becomes a *contributory* infringer. The rule of contributory infringement holds true no matter whether the element supplied is a staple article of commerce or one specifically made for the purpose of infringing. This Court has so held in *Leeds and Catlin* v. *Victor Talking Machine Company*, 213 U. S. 325, and the Circuit Court of Appeals for the First Circuit has so held in *B. B. Chemical Company* v. *Ellis*, 117 F. (2d) 829, Petitioner's statements to the contrary notwithstanding. In the B. B. Chemical case this Court did not specifically pass on the question of contributory infringement, but indicated that such infringement was present. Relief was denied, however, because of the manner in which the plaintiff conducted its business under the patent.

Contributory Infringement.

With respect to contributory infringement and, indeed, as to all of the questions which Petitioner alleges arise out of the Circuit Court's decision in this case, Respondent Mid-Continent must not only present arguments in support of its own contentions, but also has the burden of clarifying and correcting misstatements made by the Petitioner.

Petitioner complains that the Circuit Court of Appeals for the Seventh Circuit held that the combustion stoker switch supplied by Petitioner Mercoid was *especially adapted* for use in practicing the patented system, and that Petitioner therefore was a contributory infringer, whereas, continues the Petitioner, the First Circuit Court of Appeals in *B. B. Chemical Company* v. *Ellis*, 117 F. (2d) 829, (and the Second Circuit Court of Appeals in the *Philad* v. *Lechler Laboratories*, 107 F. (2d) 747 to the same effect) held "that one who supplies an unpatented part was not a contributory infringer, irrespective of whether it was an ordinary commodity or especially designed and intended for use in practicing the patented invention."

This is either a misunderstanding or a misstatement on the part of the Petitioner. Neither of the Courts in the B. B. Chemical case nor the Philad case held what Petitioner stated they held in the above quoted portion of Petitioner's brief on page 9 thereof. *In the B. B. Chemical case the Court specifically held that there was contributory infringement.* On page 834 the Court stated;

> "However, the Defendants manufacture and sell materials for use in an infringing operation with knowledge that they will be so used. They induce their customers to use such infringing processes and directly receive their profits from such infringing use. *There can be no doubt that they are contributory infringers.*" (Emphasis added.)

In the Philad case the Court did not even decide the question of contributory infringement. It studied the conduct of the Plaintiff and decided that relief should be denied because of the conduct of the Plaintiff. Relief was denied because the facts of that case were held to come within the Carbice and Leitch cases.

The first reason which Petitioner sets forth for granting the writ is based upon the alleged conflict between the Circuit Court's decision in this case and those decisions of the First and Second Circuit Courts in the B. B. Chemical and Philad cases. In the present case there was held to be contributory infringement. In the B. B. Chemical case there was also held to be contributory infringement. In the Philad case the Court did not pass on the question of contributory infringement. It is therefore obvious that there is no conflict between the decision in this case and these other cases. Since no conflict exists, this ground cannot be successfully urged.

The portions of the Carbice, B. B. Chemical, Leitch, and Philad cases, which Petitioner quotes on pages 9, 10, and 11 of its brief, are remarks which the respective courts made regarding the *right to maintain the suit. In none of*

these instances was the Court referring to contributory infringement, and therefore the quoted portions above mentioned are irrelevant with respect to the question at this moment under consideration.

Misuse of the Patent and Violation of the Anti-Trust Laws.

The subject matter of this section has to do solely with the conduct of Respondent Mid-Continent and its licensee, Respondent Minneapolis. This is subject matter which is entirely separate and distinct from the question of contributory infringement. While Petitioner has chosen to separate into two headings the alleged misuse of the patent and the alleged violations of the anti-trust laws, it seems more appropriate to discuss these two phases together.

The actions of Respondent Mid-Continent will be fully discussed here, while the actions of Respondent Minneapolis will be more fully discussed in a separate brief, submitted by Minneapolis.

Petitioner complains that Respondent Mid-Continent has misused or abused the Cross patent and has violated the anti-trust laws by doing certain acts which are alleged to be illegal. As hereinbefore stated, the patent owner at first installed heating systems within the scope of the patent in private homes and thus practiced the invention itself. At a later date all that Mid-Continent did was to grant an exclusive license to Respondent Minneapolis to practice the patented invention. Thus, there is nothing conceivably wrong in the conduct of Respondent Mid-Continent. The Circuit Court of Appeals for the Seventh Circuit upheld this contention in stating on page 920 of the record:

> "It seems to us that there is nothing objectionable in Mid-Continent's method of doing business with respect to this patent. It was a valid patent, as is conceded here, and the owner had a right to manufacture and sell the patented combination and to license others to do so. At first it attempted to manufacture and sell it, but after a short time it abandoned that course and granted and offered licenses to companies that would

take them, *including Mercoid, who refused.* Moreover, Mid-Continent sent letters to non-licensed manufacturers who were contributing to the infringement of the patent. Finally, Mid-Continent granted an exclusive license to Honeywell, and by that act it lost all control over the further licensing of the patent but retained the right to bring suit against infringers, and upon that right this suit is instituted. There is nothing wrong in any of these actions providing the license did not exceed the limits of the patent, and herein lies the point in controversy." (Emphasis added)

Petitioner, on page 4 of its brief, poses the following questions:

"(2) Does a patentee so use its patent as to be deprived of legal relief when the licenses it grants are conditioned upon the licensee purchasing from it an unpatented part for use in practicing the patented invention?

(3) Does a patentee operate in restraint of trade and in violation of the anti-trust laws when it requires as a condition to the use of a patented invention that an unpatented part thereof be purchased from the patentee or its licensees?"

There is absolutely nothing in the record to show that either the patentee or his assignee, Mid-Continent, ever granted a license conditioned upon the licensee purchasing an unpatented part for use in practicing the patented invention. Likewise, there is absolutely nothing in the record to show that either the patentee or the licensee, Minneapolis, ever required as a condition to the use of the patented invention that an unpatented part thereof be purchased from either of them. It is, therefore, inconceivable that either of these questions should arise. Why such questions should be posed, when they are utterly irrelevant and out of point, is not understood, but assuredly it leaves us with a feeling that the Petitioner's brief may aptly be referred to as an "invitation to confusion" and must be so viewed.

Since Mid-Continent merely granted Minneapolis a license to practice the patented invention and thereby lost all further control over any further licensing, what Mid-Continent did was perfectly legal and in compliance with all laws relating to patents and the conduct of good business. Furthermore, and interestingly enough, the record amply demonstrates the repeated but fruitless efforts of the Respondent Mid-Continent to license this very Petitioner, Mercoid!

Throughout Petitioner's brief there is a continual harping on situations in which a patentee requires, as a condition to the use of the patent, that an unpatented part used in practicing the invention be purchased from it, and where the owner of a patent forbids the purchase from competitors of an unpatented part necessary for the practice of the patented invention. These appear on pages 5 and 6 under the heading "Reasons for Granting the Writ"; on pages 7 and 8 under the heading "Specification of Errors"; on pages 8 and 9 under the heading "Summary of Argument"; and on pages 9 to 28 covering the argument of these questions.

The Circuit Court, in holding that Respondent Mid-Continent was conducting its business in a legal manner and had done nothing in the way of either misusing the patent or in violation of the anti-trust laws, decided these questions on the evidence adduced at the time of the trial and appearing in the record. By deciding the case in this way there is no conflict with any applicable decisions of this Court nor has the Circuit Court decided any question of Federal law which has not already been settled by this Court. Petitioner attempts to show that the Court of Appeals held that this Court, in *Carbice Corporation* v. *American Patents*, 283 U. S. 27; *Leitch Manufacturing Company* v. *Barber Company*, 302 U. S. 458; and *Morton Salt Company* v. *G. S. Suppiger Company*, 314 U. S. 488, failed to decide that a patentee is not entitled to relief when it requires as a condition to the use of a patented invention that an unpatented part, used in practicing the invention, must

be purchased from it. This, of course, is obviously a misstatement since the *Circuit Court did not so hold.* All that the Circuit Court did was to distinguish the facts between this case and those mentioned, and held that those cases were not applicable here. Thus, we dispose of Petitioner's second reason for granting the writ.

Petitioner would also have us believe that the Circuit Court, in the instant case, held that there is no such restraint of trade as violates the anti-trust laws when the owner of the patent forbids the purchase from competitors of an unpatented part necessary for the practice of the patented invention. A reading of the Circuit Court's decision discloses that *the Court did not so hold, because there was no such forbidding in the present situation*, either on the part of Respondent Mid-Continent, or on the part of Respondent Minneapolis.

It therefore follows that the two cases mentioned by Petitioner, namely, *R. C. A. v. Lord*, 28 F. (2d) 257, and *Morton Salt Company v. Suppiger*, 314 U. S. 488, were not in the slightest disregarded by the Court below.

Petitioner would also have us believe that the Circuit Court has construed the decisions of this Court in the Carbice and Leitch cases differently from the constructions which have been placed upon those decisions by the First, Second, and Third Courts of Appeal. This is obviously an erroneous statement, because *the Circuit Court did not construe those cases, but merely held that the facts there were different from those here and therefore did not apply.*

Furthermore, *the Circuit Court did not hold* that Respondent Mid-Continent obtained its entire revenue under the patent from the sale of an unpatented appliance, as Petitioner states on page 7. This statement by the Petitioner is in direct conflict with the clear language of the opinion on page 921 of the record, where the Court stated:

> "This record discloses that Mid-Continent has never received royalty on anything other than complete installations coming within the scope of the Cross claims."

On page 15, Petitioner infers that it manufactured a number of thermostatic switches prior to the filing of the patent in suit, which were adapted to be used in the patented heating system to prevent the extinguishment of the fire. *This statement is not consistent with the evidence in the case.* As a matter of fact, the only thermostatic switches made by Petitioner Mercoid, which were actually complained of by Respondents, were those which were *made after the issuance of the patent and which have been proven to be made solely for the purpose of being used in the patented combination.* Not only were these switches made for this specific purpose, but *they had no other use.*

Looking now to the actions of Respondent Mid-Continent it will be evident that after the Cross Coal-O-Matic Company assigned the patent to Mid-Continent there was only one license ever granted by it and that was to Respondent Minneapolis. At the time the license was entered into, Minneapolis had been making thermostatically controlled switches for use in the patented system. These switches had no other purpose. Therefore, without a license, Respondent Minneapolis would have been a contributory infringer. It is well settled that a contributory infringer can be licensed as well as a direct infringer.

At the time the license was entered into, a question arose as to how the royalties were to be computed. The license granted the Respondent Minneapolis the sole and exclusive right to make, sell, and use the patented combination. Every thermostatic control made and sold by Minneapolis of the character here under consideration established that a complete installation of a heating system under the patent would come into existence. This necessarily follows because the control had no other use. It was only logical, therefore, to base the number of the patented systems coming into existence upon the number of these controls sold by Respondent Minneapolis. Mid-Continent has never received royalty *on anything other than complete installations coming within the scope of the claims in the Cross patent*

and the record clearly establishes the fact that Petitioner Mercoid has been unable to prove otherwise.

The tactics of Petitioner Mercoid appear to be the same before this Court as before the District and Circuit Courts; namely, that of quoting or referring to only a portion of the license to Respondent Minneapolis, thus endeavoring to leave an erroneous impression (Petitioner's brief, p. 21). The Circuit Court saw through this ruse and considered the license in its entirety.

The patent was assigned to Respondent Mid-Continent subject to the exclusive license between Cross Coal-O-Matic and Butler Manufacturing Company, as licensors, and Minneapolis, as licensee. Later a modified form of agreement was entered into in 1938 between Mid-Continent and Minneapolis. The paragraphs in each of these licenses, however, defining the grant and the basis of royalty payments, are identical. These licenses provided that royalty payments for each complete installation would be based on what are commonly known to the parties as combustion stoker switches, and in each license these combustion stoker switches were defined as "a combination stoker control unit, including an automatic electric switch responsive directly to temperatures of combustion gases or boiler water produced by an automatic coal fuel stoker and *adapted in combination with other devices and apparatus, for the control of automatically operated coal-fuel stokers, to prevent the extinguishment of its fire when operating under low heat requirement conditions*" (R. 451, 459).

That the Circuit Court recognized the clear meaning of the license and the misinterpretation which Petitioner Mercoid attempted to place on it is evident from the following portion of the opinion (R. 921):

> "The only complaint which Mercoid urges here is that royalty payments are based on the stoker switch without regard to how or where this switch is to be used. We think, however, that this is a misinterpretation of the plain language of the licensee. The switch referred to is specifically defined in the claims as an

automatic electric switch, which is responsive to stack temperatures or boiler water, and *which is used in combination with other devices and apparatus to prevent extinguishment of the fire when operating under low heat requirement conditions.* From this italicized language, which Mercoid does not emphasize in its argument, it is clear to us that Honeywell does not intend to pay, and Mid-Continent does not intend to receive royalties on any switch which is not used for fire maintenance purposes under the Cross patent."

When this entire clause is considered, it is quite evident that Respondent Minneapolis did not intend to pay, and Respondent Mid-Continent did not intend to receive, royalty on anything other than a complete installation coming within the scope of the claims of the Cross patent.

It is likewise true, with respect to the sublicenses granted by Respondent Minneapolis, that *royalties were to be paid only on complete installations*, the number of which were to be determined by the number of switches sold which were to go into these systems *and which had no other use.*

Thus far then, any actions which have been proven with respect to Respondent Mid-Continent show that they were clearly within their rights under the patent laws. These actions cannot conceivably be construed to be beyond the scope of the patent, and therefore there has been no such misuse as to preclude recovery.

Petitioner Mercoid also complains that Respondent Mid-Continent and Respondent Minneapolis sent notices to the trade notifying them as to the ownership of the patent and as to the licenses thereunder. Such notices are not only customarily sent to inform the trade in general as to the patent owner's rights, but also it is the duty of the patentee and its licensee to so inform the trade of their rights so that the trade will know what it can and cannot do.

Respondent Mid-Continent is not in the business of making or selling either complete heating systems or any of the elements thereof, and therefore is not in competition with anyone else, and from the foregoing it is inconceivable that

Mid-Continent is attempting to monopolize in any way an unpatented article beyond the rights granted to it under the patent.

A consideration of the license agreements themselves will indicate clearly that there was never any condition expressed or implied that any unpatented supplies should be purchased from the patentee or its licensee in order to obtain a right under the patent. The evidence is abundant to show that neither of the Respondents herein has done anything which could be considered a monopoly or tending to monopolize an unpatented device, nor have they committed any act which could be construed to be a violation of the anti-trust laws.

After a full consideration of all the facts, the Circuit Court said (R. 922):

> "We see nothing here that would violate the anti-trust laws or that would constitute unfair competition."

Petitioner has cited numerous cases which are alleged to be in conflict with the decision of the Circuit Court in this case. These cases need not be discussed separately, it merely being sufficient to state, as did the Circuit Court, that the factual situations there were such that this case did not come within the holdings therein.

With respect to these cases upon which Petitioner Mercoid relies, the Circuit Court said (R. 922):

> "In support of Mercoid's contention to the contrary, it relies upon *Carbice Corporation* v. *American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458; *Morton Salt Company* v. *Suppiger Co.*, 314 U. S. 488; *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, and other kindred cases. The facts in those cases are readily distinguishable from those here. They are consistent with the ruling in the case of *Leeds & Catlin* v. *Victor*, *supra*, and are so held by the Supreme Court in the Carbice and Leitch cases, *supra*."

In each of those cases cited by Petitioner there was either an express license agreement, which itself was in direct contravention to the anti-trust laws, or the business of the patentee was carried on in such a way as to create a monopoly in unpatented materials. The Circuit Court has found that neither of those situations existed here; therefore, there is no conflict between this decision and those relied upon by the Petitioner.

Public Interest.

Petitioner Mercoid now seeks to invalidate the Cross patent at this late date *and for the first time*, by invoking the plea of public interest. A District Court in Missouri found the patent valid, and this finding was upheld by the Circuit Court of Appeals for the Eighth Circuit. Since that time Petitioner has not only *not denied the validity of the patent*, being unable to do so by reason of res judicata, but it has *conceded the validity* as stated by the Circuit Court in its opinion (R. 913, 921). Petitioner, in one and the same breath, is conceding the validity of the patent and yet asking this Court to invalidate it on the ground of public policy. The Circuit Court had before it all of the evidence adduced at the time of the trial, but decided that the public interest in this patent was not such as to warrant an interference by the Court to declare the patent invalid.

On the question of public importance, Petitioner, on page 6 of its brief, states that "thousands" of present users of automatically controlled heating systems will be subject to injunctions if the Cross patent is valid. At the same time, Petitioner attempts to bring in the question of price fixing, which *has never been an issue in this case and has never arisen*. Then on page 30 of the brief, Petitioner goes even further and alleges that if the patent is held valid, "hundreds of thousands" of people will be subject to a suit for direct infringement.

Lastly, as a practical matter, it may be pointed out that the patent in suit has less than four years to run and that

the litigation with this Petitioner and its user Smith is the only litigation in which the patent has been involved. It would indeed be difficult for the Respondent Mid-Continent to enter the homes of all persons having thermostatically controlled heating systems and discover whether or not its patent is being infringed and to bring suit against each. Furthermore, the suggestion is too absurd to be worthy of serious consideration.

Neither the patentee nor the licensee of Cross patent has ever attempted to prevent anything other than the unlicensed installation of complete systems. It is so clear as to hardly merit discussion that room thermostats, coal stokers, coal itself, and thermostatic metals, all have numerous other uses. It would not only be impossible, but highly undesirable, to trace every one of these articles and determine whether or not it was going to be used in a system which infringes the Cross patent. The thermostatic control, however, which Petitioner Mercoid manufactures, *has no other use than to prevent the extinguishment of the fire in a heating system covered by the Cross patent.* It is therefore submitted that the invalidating of the patent on the ground of public policy is not warranted.

SUMMARY.

In summarizing the points that have been discussed herein it will be helpful to mention once more that the facts in this case are important. *The Court below, in its legal reasoning, agreed with the decisions of this Court and with the decisions of other Circuit Courts of Appeal on similar questions but aptly pointed out that the factual situation here is different and that accordingly this case, like many others, must be decided differently from those cases upon which the Petitioner relies.*

Let us review the facts. The Respondent was the owner of the single patent in suit and, after unsuccessfully attempting to commercialize it, decided to license others in the field. The Respondent Minneapolis was the largest in the field and was contributing to the infringement of the patent. There were two things that Mid-Continent could

do. First, it could sue Minneapolis, and second, it could license Minneapolis. There is nothing in the law that compels a patent owner to sue rather than license a contributory infringer, and hence it must be and will be conceded that Mid-Continent was acting wholly within its rights when it decided to license Minneapolis. The license agreement was consummated and appears in the record at page 458. *It contains no restrictive covenants and it contains no conditions of the type this Court has condemned.* On the contrary, it is a clear and lucid grant confined to the scope of the patent and gives the grantee the right to practice the invention of the patent in suit and to sub-license others to do so. There is no suggestion that the licensee would have to obtain any supplies from the licensor because *the licensor did not make supplies;* there was no restriction on the method of marketing the invention or on the geographical extent of the grant or any other improper attempt to extend the grant beyond its intended scope. There was merely an exclusive license granted by the patent owner to the Respondent Minneapolis. Thus, the Petitioner cannot complain of illegal restrictions or improper conditions contained in the license because *there were none,* either express or otherwise, and the only thing the Petitioner has to complain about is that in computing royalties the licensor and the licensee adopted a yardstick which, according to the Petitioner, was improper. The contracting parties agreed that the licensee would pay a royalty based upon each sale of an important element of the patented combination that was sold *for the purpose of enabling the patented combination to be brought into existence. The element had no other use and it was obvious that every time a sale took place the patented combination would be brought into existence and therefore it was circumspect and sensible for the parties to compute the royalties in this fashion.* The licensee did not actually go into private homes and install the patented system, but it did sell one of the most important elements of the patented combination for the purpose of enabling others to go into private homes and

install the patented system, and hence when it came to the matter of determining a fair royalty for the use of the patent by the licensee, what more obvious and sensible formula could be employed than that which was used?

In brief, there is little more to this case than what has just been stated. The Petitioner is estopped from denying the validity of the patent and the Court below agrees entirely with all of the cases that have been urged by the Petitioner in its brief. *There is no conflict in decisions*, there is merely a difference in the state of facts involved, and it is not believed that this Court will object to or criticize any such disarming conduct as becomes the Respondent Mid-Continent in this case.

One last point. Ever since the beginning of this controversy, preceding the suit for infringement in the Eighth Circuit, the Respondent Mid-Continent has stood ready and willing to license the Petitioner on reasonable and lenient terms. As the record shows on pages 497 through 503, and 703 through 717, immediately prior to the commencement of this action, a further effort was made to license the Petitioner. However, *the Petitioner has never been willing to take a license*, but prefers seemingly to deny the existence of the doctrine of contributory infringement. The Petitioner defended in the Kansas City suit, and lost. The case was taken to the Circuit Court of Appeals for the Eighth Circuit, and again Petitioner lost. Efforts to license the Petitioner were still unsuccessful. Subsequently this litigation was commenced, and after losing before the Circuit Court of Appeals for the Seventh Circuit in a well-reasoned and exhaustive opinion, the Petitioner once more seeks to escape on the theory that the Respondent Mid-Continent has abused the patent privilege. What could be further from the truth? The Respondent Mid-Continent is not a manufacturer, but has licensed others and has endeavored to license the Petitioner. *The licenses which have been granted contain no restrictions or conditions that unduly extend the patent monopoly*, and at this point Respondent

finds itself in the position of still seeking, after approximately ten years of continuous effort to bring the Petitioner to earth and force the discontinuance of the willful, wanton, and deliberate infringement that has been taking place throughout this period. The very rule of law upon which the Petitioner would seek to rely is an equitable one and it is strongly suggested to the Petitioner that before seeking equity it should do equity, and that it ill behooves this particular Petitioner to endeavor to seek shelter behind a rule of conscience.

CONCLUSION.

From the foregoing, it will be clear that the Circuit Court of Appeals for the Seventh Circuit in the case at bar has not interpreted this Court's decisions in a way any different from interpretations by other Courts of Appeal; nor is there anything conflicting between the Circuit Court's decision here and any similar decisions of other Circuits. The evidence is abundantly clear that neither the Respondent Mid-Continent, nor the Respondent Minneapolis has misused the patent in any way, nor have their actions been such as to come within the condemnation of the anti-trust laws. Furthermore, the public interest in this case is not such as to warrant interference by this Court to declare the patent invalid, it having been *twice held valid by other courts*, and *the validity of which has been conceded by the Petitioner*. It is therefore urged that the petition for writ of certiorari be denied.

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